SECTION 3. General issues in management

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Spirit of corporate social responsibility transforming from corporatism to socialized capitalism

Abstract

This paper offers a critique of current corporate social responsibility (CSR) practices in context of global trends. The legitimate modelling of CSR has yet to engage firm and political decision making with wider Society stakeholders. There is urgent need to transform towards socialized capitalism in which separate CSR board may focus on social and environmental concerns and offer more collaborative solutions to global/local CSR issues. This is underpinned with a need for returning to original moral purpose of CSR that has become eroded by narrower short term rational justifications.

Keywords: corporatism, ethics, oligopoly, corporate social responsibility, global, capitalism.
JEL Classification: L22.

Introduction

High profile, mandatory regulations supporting Corporate Social Responsibility (CSR) initiatives are operating in Australia, Denmark, France, Netherlands and South Africa. An increase in voluntary CSR programs being taken forward by large companies (1993 to 2013) is reflected in the latest KPMG Survey (2011-2013) which covers forty one countries and includes Chile (27% to 73%), India (20% to 73%), and Singapore (43% to 80%). The results equate to 93% of the biggest two hundred and fifty global companies reporting corporate responsibility practices in 2013. Most recently, Anglo-American won the ‘PWC2013 Building Public Trust Award’ (PWC, 2013a). These findings illustrate active social responsibility strategies being led by company boards in response to mass investor opinion and tightened government regulation.

Firms operating in diverse national markets have now come to terms with the global recession, the blame for which was largely attributed to the Anglo-American Governance system (AACG) and its impact upon financial institutions between 2007 and 2009. The acute economic risks in high-income countries seem to have diminished following urgent political interventions which enforced regulatory driven austerity and quantitative easing conditions to counter balance insufficient corporate governance.

For advanced markets governments, the focus has shifted from immediate crisis control to chronic deficit and debt containment. However, pressing social challenges such as high unemployment, the rising cost of living, longer living populations and policy reforms in favor of sustainable trade growth persist, along with forward looking concerns regarding the environment and the rapid depletion of natural resources. A 2010 Trucost survey for the UN estimates that global damage caused to the environment by the three thousand largest companies in 2008 was $2.2 trillion.

With an eye to the future, McKinsey’s (2013) survey suggests that for the first time since the recession began in December 2007, executives in advanced markets are more economically optimistic about growth prospects than their emerging market colleagues.

Euro-zone executives are most bullish towards improving financial conditions and firm prospects. By contrast, in developing nations there are growing concerns around inflation, currency fluctuation, reduced commodity prices and foreign investment, coupled with the effects of socio-political instability, all of which are collectively cooling future outlooks. Despite the global aspirations reflected by the Millennium Development Goals or United Nations IPCC 2050 targets, realistic prospects for co-operative international social wellbeing and environmental change programs remain unclear.

The advanced market corporations remain economically dominant and emerging markets are rapidly evolving their market mechanisms. But what does this mean for CSR modelling?

1. CSR and global agendas

Two underlying issues remain. Firstly, the AACG system has historical boom-and-bust cycles stretching over many years. Failures of note include the Great Depression (1920s), the Polly Peck and Maxwell financial scandals, Enron, World-com and the Banking crisis. Post crisis regulatory reactions have included the Cadbury Report and Code (1992), Higgs Review (2003), Walker Review (2009), Combined Code (2010), Stewardship Code (2010) and the Volcker and Vickers reforms to the banking industry (2011). In an increasingly interconnected world, recent crises have become increasingly frequent, larger in scale, and their impacts are felt more widely underpinned by an expansionist agenda.

Secondly, recent research on anthropogenic carbon emissions indicates that just ninety companies are responsible for two-thirds of the global emissions produced since records began. These are predominantly at the beginning of the supply chain and identify leading coal, oil and gas producers as the prime culprits. The UNIPCC Panel has warned that, based on current forecasts, the world is in danger of reaching a critical carbon threshold (+2°C) within thirty years.

Are the least developed and emerging markets deliberately oppressed and forced to follow this consumer capitalistic model? They may benefit from preserving some of their own centuries old traditions of civilizations in interpretation of CSR to companies and local society issues. At the same time, advanced markets corporate CSR priorities should proceed in a complementary manner, rather than on a complementarity principle, addressing robustness against capitalistic crisis (economic) and resilience of sustainable competitiveness (social and environmental).

The policy brief published by the Committee for Economic Development (CED) in 2010 argues that it is in the interest of corporations and capitalism that people in leadership positions, namely directors, senior executives and politicians, should regain trust in the governance of publically held corporations. This is underpinned by a belief that ultimately it is corporate self-determined behavior that generates either long-term sustainable profit, or heightens the risk of corporate collapse. The business and political community faces a current crisis of confidence, where once again the question being asked is 'How can the corporation more effectively govern itself?'

2. Corporatism for society

CSR demands a better understanding between Governments, Corporations and Society in design and development of policy shifts and leader/follower relationships that promote positive competition and collaborative best practices.

Whilst there has been an increase in and integration of socially responsible and financial reporting in advanced markets within frameworks such as Global Reporting Initiative (GRI), UN Global Compact, FTSE4 Good, Business in the Community (BiTC), and Dow Jones Sustainability Index. The Corporate boards are economic or investor focused and there remains opportunity for a separate CSR board that can independently decide social/environmental strategies with equally powerful premise. Meanwhile, in the least developed and emerging markets National governments remain tribal or dictatorial controlled supported by agenda led international financial loans. Regardless, all local communities and civil populations remain at a distance to CSR decision making but are the recipients of effects. Thus, each diverse nation must establish its own values, operational criteria which should be society led for CSR.

The long-term wealth of nations is currently dependent upon boards and their executives' activities to balance both short and long-term financial shareholder performance with wider stakeholder concerns – environment, child labour, supply chain transparency, food safety, resource depletion, and animal welfare – in a self-sustaining manner. The success of CSR modelling is ultimately reflected in the adaptability of model to diverse needs of local communities.

This is exemplified where in advanced nations themselves, beyond the short-term turbulent effects of recent financial crisis – share price volatility, government action, shareholder responses, media hype – the boards of publically held corporations and their senior executives are under significant scrutiny by regulators, shareholders and other wider stakeholders.

Globally, corporations face unprecedented emerging challenges resulting from international interconnectedness – a population rising to nine billion by 2050, more than fifty percent urbanization, operating and renewing cycles in diverse markets, a fastgrowing savvy consumer middle class, divergence between rich and poor – all of which increases the intensity of competitive behavior. The notion of CSR has to shift from being viewed as risk management and external to the organization to a model of moral and ethical sentiment where environment, social and governance issues are of central importance to legitimizing leadership decision-making and delivering corporate accountability.

3. A question of morality

CSR means different things to different people at different levels. This emerges in the dynamics and power dominance within relationships between directors, executives, governing bodies, investors, consumers and stakeholders that define the culture and values that are unique to organization, shared in societies and impact environments.

From a simple rational lens, the business exists in society where its primary role is to generate profit by producing goods and services which meet the needs and wants of society. However, by acknowledging that corporations are made up of people who pursue objectives based on their own value judgements, we also recognize businesses have employees, customers, suppliers, socio-political cultures, human rights issues, supplier relations and environmental responsibilities.

This means a firm can be perceived as either a narrow legal entity, or as a responsible transparent participant in a broader social mechanism with a contributing value and obligation to a moral society. Rather than "Which of these roles is the priority?" it is that the latter has intellectually eroded and become hidden where religion/belief is these days a personal and controversial sentiment void or taboo to the artificial man-made universal language of money. As current shift from paper to digital form proceeds, we observe a smaller cluster of controllers emerging of mass populations and techno-media platforms.

The neo-classical shareholder narrow view has dominated for many decades. Society has repeatedly had to suffer the consequences and pay for leadership poor judgement, ill conceived decisions or practices of deception, fraud and corruption. These become heightened under conditions of crisis or extreme economic competitiveness. With individual discretionary responsibility, leaders are at greater risk of tactically rationalizing their decision-making to neutralize any concerns over partial information and may also, under pressure from shareholders, lower standards of acceptable ethical behavior as a trade-off in the pursuit of profit.

Beyond a firm's boundaries, business is dependent upon market stability, a competitively skilled workforce, industry effects, consumer demand, environmental wellbeing and the availability of resources which reflect wider stakeholder concerns around "social responsibility".

In recent years, socio-environmental market factors have emerged as the greatest risk to economic prospects. Long-term sustainability has become a priority, meaning a broader understanding of CSR has pervaded organizational agendas at both corporate and global levels. Regulation and governance must complement national agendas, and international co-operation is paramount across all levels.

The Brundtland Report defines sustainable as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987).

The use of the term "sustainable development" (SD) within policy agendas, and the rise of SD indicators followed a call at the United Nations Conference on Environment and Development (UNCED) at Rio de Janeiro in 1992. Government and non-governmental organizations were asked to "develop and identify indicators to improve the information for decision-making at all levels" (Agenda 21, Chapter 40). Many sustainability indicators have since emerged including Living Planet (LP), Ecological Footprint (EF), Environmental Sustainable Index (ESI), and Human Development Index (HDI). In consideration, the business community have a responsibility to embed and demonstrate sustainable CSR in their activities in response to government policy shifts.

Following Rio+20, the WBCSD meeting in Istanbul in November 2013 brought together more than five hundred CEOs and executives from fifty countries. The European Union has moved from voluntary (2001) to more mandatory regulatory governance (2010) of CSR promoting integration of member nations and best practice program for responsible investment decision making. Steps taken include the introduction of ISO 26000, the newly updated Compendium of CSR policies (2011) as tools for national development, and most recently an EU directive covering enhanced disclosure of social and environmental matters. Further to this, the European Emissions Trading Scheme (EU ETS), launched in 2005 to combat climate change, is the first large emissions trading scheme based on the principle of cap and trade. Following many years of attempts, we come back to needing to reinforce moral principles for CSR.

A point of note here is that philanthropic funding has been publicised as a major CSR strategy over the last five years. The Giving in Numbers report (2013) values the sum of global corporate philanthropy to be $20bn based on a survey of two hundred and forty companies (2012). Research by Henley Business School has identified a link between "giving" and the presence of a multinational in a controversial country, meaning risks to internationalization maybe mitigated by social "giving" patterns. Where there is a lack of internationalization, decision-making is more focused towards charities in the home country. This offers the advantage of contributing to problem-solving without necessarily taking ownership of an issue. Within some advanced markets there is increasing diversity between industries and reduction of company cash donations in post financial crisis period.

The practical business definition of CSR has passed over from corporate risk management to corporate responsibility with economic, legal, ethical and philanthropic attributes, and corporations have adopted the notion of stakeholder (SRI, 1963) in their CSR statements. Further to the de-regulation of banks and recession, at the time of the Savings and Loans crisis in the US (1984), Edward Freeman (1984; 2010) extended the notion of primary, secondary, and periphery stakeholders that can affect, or be affected by a firm's actions. Clearly primary stakeholder's own moral frameworks influence CSR decision making.

4. Oligopolies of CSR

McKinsey's quarterly report (October, 2013) scans three thousand global companies' economic profit (EP) performance with revealing results, finding that profit is distributed in an undemocratic manner. The largest quintile of firms (twenty percent), create seventy times more profit than the middle three quintiles, while profit is all but destroyed in the bottom quintile (Bradley et al., 2013). As a result, the biggest creators and destroyers of profit are the largest players. The report concludes that these elite firms and their leaders are in a privileged position which they must either use or lose.

It appears the renewal process of capitalism is a game of survival and growth in the upper and lower sections of an industry. The risk when a large corporation fails is that the impact can be wide-ranging and long-lasting. Despite this, another firm is introduced into the elite and the remaining survivors benefit from asset and market share reallocation. Surviving corporations emerge stronger and more powerful from cyclical crisis.

The disparity between the largest and smallest firms is continuously being extended in a process which will eventually lead to monopolistic markets. This means CSR needs to extend the notion of competitiveness from being industry-level and finance-focused, to becoming one of grass-roots driven and innovation-focused co-operation.

These findings correlate with a PWC global 100 report (PWC, 2013b) based on market capitalization, where sixty seven of the one hundred companies have survived from 2008 to remain on the list in 2013. Apple has more than tripled its market capitalization in six years, despite losing one hundred and forty four U.S. billion dollars in 2012. US corporations have emerged the strongest from the crisis with forty three companies (35 in 2008). European representation has declined from twenty six to fourteen companies. Is Europe facing weakened governments as compromise for federalization?

A recent McKinsey (Musters et al., 2013) report states that the business value of government or other regulatory intervention can be considerable. Between thirty and fifty percent of industries' incomes are impacted. A European utility valued its stake at one and a half billion Euros, while another global corporate estimated an impact of five hundred million Euros per annum, over a decade following its acquisition.

Yet government-affairs functions typically remain at low-level and at distance from the CEO in company structures. It is no surprise that only twenty percent of executives indicate repeated success in influencing or engaging with policy changes. The most successful companies which excel in engagement with government are those that analyze impact not just on themselves, but also on other important stakeholders.

It is clear that silo organizational designs result in poor dialogue. The largest firms have dedicated teams representing intelligence gathering, a firm's interest in governance, and the stakeholder landscape. These "in the know" firms are better able to influence policy innovations and position themselves in advance of regulatory CSR changes.

CSR is a powerful strategic platform which drives the reputation, image, and brand of a firm towards being perceived as "doing good" above and beyond regulatory requirements. Yet, it is the fewer organizations and their leaderships that control the many!

5. A question of ethics

The purpose of business in society is to positively contribute to civic needs and societal advancement based on "valued good" principles. In the Republic, Plato (427B.C.-347B.C.) proposes that rulers owe citizens more than just survival. His student, Aristotle (384B.C.-322B.C.) gives regard to the behavioral character of individuals and entities as virtue ethics.

The mandatory business traits of courage, justice, truthfulness are voluntarily extended in the context of CSR to include respect, concern, compassion, benevolence and stewardship towards a wider range of stakeholders and the natural world. Virtuous action requires a sense of knowing what we are doing, choosing what to do, and taking action accordingly. In other words, one always strives to achieve unobtainable perfection.

The rationalist approach argues for the pursuit of "valued good" as an obtainable target, cost-benefit analysis or consequential trade-off. CSR is based on predictable outcomes around scientific knowledge and perceived fact. Under an opportunities-and-threats lens, firms adopt a competitive position which erodes behavior based on a constantly questioned moral purpose to one of seeking advantage. Too often there is a tendency to give attention to internal or directly influential stakeholders, where a business case should receive greater and more valuable input from indirect stakeholders on the periphery.

The cornerstone of CSR is that businesses have an ethical obligation to societies by "seeking goodness". The broader and longer-term view of CSR as "doing good" becomes a self-determined position, enabling improved collaboration or alliance towards a "greater good".

The narrower business aims of profit, risk management or public relations shift from being a motivation for decisions to becoming a by-product of moral judgement being the basis for a decision. Contrastingly, negative actions become vices or injustices where the pursuit of material objectives damage the co-operative activity needed to sustain and ensure "common good".

Ethics and CSR are inherently connected. If CSR is the process by which businesses engage with society, then ethics are the base for a corporation's understanding of appropriate courses of action. There remains a significant concern that corporate applications of the term 'stakeholder' are internally derived and driven. This position is ultimately influenced by the most powerful stakeholders influencing board processes, meaning a narrow ethical engagement by boards typically limits CSR potential. The 2010 Deepwater Horizon oil disaster (Spence, 2011) highlights that CSR activities are no guarantee of ethical behavior, and a firm's intentions are only as genuine as its last actions.

Good ethical practice becomes embedded at the heart of an organization before a CSR strategy is adopted in line with local community or co-operative CSR activities, which may include wider supply chain networks, consumers or government welfare programs. A lack of strategic ethical business and governance frameworks without continuous collaborative dialogue limits the potential and impact of dynamic CSR routes.

The largest corporations are often too big to properly structure internal, multi-level CSR strategies appropriate to the diverse communities within which the firm operates. Local problems require less bureaucratic and more fairly distributed ownership of CSR solutions. In contrast, decisions on the direction of CSR activities tends to be restricted to leadership or top management teams.

6. Responsibility and reputation

Dr.Visser proposes that this is an age of responsibility where CSR should be the DNA of business.

Responsibility is about sharing while also being conscious about self as part of others. More specifically it is about taking ownership, having a sense of duty and being accountable. If CSR strategies are simply peer-judged, firm level silo activities, then the outcomes are likely to be perceived positively. Alternatively, CSR strategies open to legitimate accountability by a wider community of stakeholders will be at risk of greater criticism, but this will eventually erode through a greater transparency of process. Outcomes will as such have stakeholder legitimacy and offer longer lasting benefits to all.

It is hardly surprising that surveys of institutional leadership in recessionary, emerging, closed and advanced societies reflect low levels of trust. Edelman's trust barometer (2013) indicates a fragile trust of government, business, media and NGOs. Business leaders and government are typically perceived as unable to solve social problems (59 percent), correct industry issues (65 percent), make ethical decisions (67 percent) or simply tell the truth (69 percent). The main drivers of CSR for corporation is a responsibility to do what is right, leading to an enhanced brand and reputation.

From a CSR reputational viewpoint, it may be more appropriate for a corporation to inclusively map stakeholders (Freeman, 1984, p. 46) as influential to each CSR strategy. The flow between diverse stakeholder groups and a firm can be better understood as an inter-dependent dynamic relationship, where context reflects changing dominant strategic influences and relevance.

For a pro-active organization, CSR social strategies offer stakeholders divergent firm "responsibilities" in stable or crisis economic modes. By contrast, the current model of reputation seems more focused on intangibles such as brand value, media stories, marketing campaigns – all of which are fast becoming standardized industry CSR activities. In turn, this facilitates the financial leveraging of reputation itself, an approach which lacks dynamism and innovationin understanding and responding to wider societal needs.

Business leaders are criticized for pursuing self or firm interest and short-term shareholder return. There is also a growing conflict in people's private and public reputational lives as their careers progress. A problem focused approach with greater transparency and stakeholder engagement can better benefit CSR efforts. Currently, the largest companies are themselves adopting their size and scale to justify "good actions" and enhance firm reputation as "responsible" businesses.

However, the action as an individual company will in reality have limited impact. The CSR challenge is to collaborate with competitors or other industry sectors in addressing strategically societal problems and improvements. For this, open and transparent engagement by collaborative high level CSR strategists is required. Boards and business leaderships must adopt a distinct mind-set, set apart from traditional profit mentalities aimed at achieving maximum societal benefit. Current activities remain business-focused and seem agency (non-profit, NGO, social enterprise, and charity) driven, rather than in direct engagement with stakeholders themselves.

The need for government-business dialogue is centred on deciding role and nature of decision making – preserving voluntary reporting or having mandatory regulation. There is no right or wrong answer but the need for consensus as a way forward. For example in UK it is argued that mandatory regulation may take away the rights of the companies to differentiate themselves by competing to be more responsible. But companies in industry may collude. The nature of the word "responsibility", suggests an element of free will separate to corporate compliance. Sensible legislation has real social purpose, but there are potential risks associated to mandatory CSR that could adversely affect the nature of competition.

7. CSR challenges and dilemmas

International research over the last decade into boards and management reveals that top teams recognize fundamental divisions exist concerning the future (30 percent), and that there are issues which should be discussed, but because they are too sensitive in nature are avoided (47 percent). Further, whilst majority of Chairmen and CEOs consider themselves to be understanding or supportive, less General Managers agree. There is a deficiency of engagement in open dialogue within boards, and with their executives, which misaligns opportunities and the delivery of CSR strategies. CSR often remains an executive function of board level corporate sustainability or responsibility. In this case the communitarian principle is eroded into standardized measurements or targets. The board is more likely to interpret "responsibility" and "sustainability" as risk to company. As the board is subject to external influences, resulting agendas will increasingly conform to regulatory requirements and standards, or be influenced by powerful civil group pressures, rather than seek transparent dialogue with actual CSR stakeholders to position a firm's strategies. Board structures and processes prioritize external reputation over internal purpose, in which case CSR is reported but not strategized. If CSR is not strategized then the corporation's business case is not fully achieved and a lack of responsible ownership weakens tangible impacts for communities (Table 1).

Table 1. CSR valued engagement as a business case

CSR firm characteristics	Economic aim	Philanthropic aim	Sustainable aim
Responsible behavior	Employee welfare British Airways	Charitable to society Virgin	Shared business and societal concern Google/BMW
Public relations behavior	Brand/Risk protection Nike	Brand enhancement Tesco	Brand engagement / Innovative solutions for citizens Sainsburys / Disney / Unilever
Self aligned behavior	Self promotion profit focus Wal-mart	Primary stakeholder focus GlaxoSmithKline	Profit linked social benefit Legal and General

Source: adapted by author from Profs. A. & N. Kakabadse (2013).

As illustrated above, the aim of CSR becomes self-promotion, risk or brand management, or charitable giving.

In recent decades the number and role of NGOs has increased. These agencies have become powerful influencers of both government policies and corporate behavior. However each agency has their own agenda and tends to promote only like-minded individuals who follow the set agenda.

During this period, the participation and engagement of citizens with politics has decreased and civil frustration with politicians has increased. As a result NGOs and lobby groups project a claim to being legitimate agents, championing citizens' views. It is more likely that the agenda is set by the NGO, while citizens themselves lack a political or stakeholder voice in government and related corporate circles. More worrying is the low level of independence and high level of interdependence between government, NGOs and corporations.

The preferred model for CSR remains voluntary, but this approach to global issues such as poverty alleviation, climate change, human rights, and polio eradication, are a major obstacle to regulative CSR achievement. There are a growing list of global indexes and national indicators being adopted to measure environmental, social and ethical attributes.

A supportive regulatory framework would better co-ordinate individual corporate CSR efforts towards long-term beneficial outcomes.

However, the lack of an overarching national regulative framework reinforces a corporate perception of "making a beneficial difference" in the short-term to legitimize further CSR activities. But is the benefit designed for society or firm? Also, is the incentivized geographical divergence in philanthropic "giving" to local and international communities' justified? The current CSR trend is therefore supply-driven, rather than problem-driven. This makes CSR solution instruments in search of problems, rather than the answers to specific and recognized problems.

CSR is a trade barrier between countries that have divergent governance systems and levels of CSR implementation. The European Union, an advanced stage CSR player, becomes a difficult market for emerging market corporations, including China and India, to compete in. If the pace of innovation behind green technologies and policy reforms is not fairly balanced, CSR can unnecessarily increase costs of product market entry, for example car safety, or technological investment for less developed CSR nations' corporations in meeting the higher regulatory standards.

In the case of China, State Owned Enterprises (SOEs) dominate local markets supported by national regulatory governance, which restricts the competitiveness of foreign multinationals, or may offer Chinese SOEs scale advantage in western and less developed markets. Trade factors such as "operating licenses", protectionism, and FDI policies are the hidden costs of CSR, which underpin global supply chains and their products' competitive markets.

Despite CSR being perceived as a positive contribution by corporations in advanced economies, the pressure on the supply-side to deliver faster and more cheaply has become a burden for the developing world and the lowest performing economies. Despite championed reporting of individual cases, the ILO (2013) estimates some one hundred and sixty seven million children work under unacceptable conditions (Diallo et al., 2013) and two million work-related deaths occur every year. In this modern era, seven hundred and eighty three million people have no access to clean drinking water and more than two and a half billion people have no access to proper sanitation. Further, the buyers within supply chains are not held accountable for their suppliers and the threshold of CSR accountability does not seem to extend beyond firm, national boundaries or glossy CSR reports.

In recent decades, a transfer of jobs has taken place between advanced and industrializing nations. However, the skills or supportive mechanisms needed to maintain minimum standards of human rights, minimum wages, and working conditions have been lost in translation. The firm priority remains efficiency, which in turn encourages violations of standards and acceptable behavior. In addition to these failings, the legislation in developing countries is forced to conform to western standards, but in reality this fosters a culture of more work for less money and inflationary pressures in these less regulated and weaker economies.

The voluntary approach to CSR offers protection to those in control and prevents radical or transformational changes under the guise of "democratic rights and freedoms". This exposes the weakness of government to the silo corporate efforts being undertaken. Internationally, national efforts are rendered incompatible with nations which prefer mandatory governance mechanisms.

It is vested interests that have resulted in promoting the voluntary management version of CSR as it serves the elitist purpose of appeasing wider stakeholders and retaining control of a hidden agenda to divide and dominate.

- How do transparency elements promoted by CSR instruments affect dominant approaches towards climate change within the business community?
- Which actors affect a CSR level playing field and agenda-setting the most?
- Do efforts by elite corporate players to transform CSR regulative frameworks really transform the playing field?
- Why does a class/country divide persist, particularly for leadership or political positions? or between countries?
- Despite global organizations efforts, why does poverty and instability persist in resource rich countries?
- Why is there an increase in social frustration across a growing list of nations?

The reconfiguration of corporation from local hierarchies to global networks has increased the need for CSR and made it more difficult to attribute responsibility or clear blame to actions.

Why is it that we continue to have regular incidences of corporate failures as reported in the media circuit? These include: BP oil spillage (2010); TEPCO nuclear reactor at Fukushima (2011); Barclays Libor scandal (2012); HSBC money laundering in Mexico ($1.9bn fine);

Bangladesh fashion supplier factory fire (2012); Wal-Mart's Mexico corruption scandal (2012); Shell Nigeria oil theft and spillage/ENI partnership (2013); Google and Starbucks corporate taxation (2013), and the presence of horsemeat in food supply chains at UK grocery multiples (2013)?

So far, CSR has only had meagre consequences for corporate practice. It remains economic-focused and has enabled efficiency savings. Government has proceeded too closely in consultation with corporations, creating artificial targets which seem to be met with ease in collaboration for mutual benefit, rather than for societal benefit. Who allowed the bailout of banks and collapse of countries in democratic societies for which the next generation will pay (Brundtland Agreement, 1987)? Who legitimizes intervention on conflict zones and why?

Most corporations have made little change in their compensation practices. The disparity between leadership and grassroots employees' earnings ratios has remained high for many years at an average of 1:500. For Novartis in 2009, it was 1:752. At Credit Suisse the same year, the differential was as high as 1:1,812. In 2011, the incentivization of business leaders was topped by Tim Cook, Apple CEO, with a salary and stock combination totaling $377m (Cook, 2012). The following year Mark Zukerberg's[1] total compensation, including share options, from the stock market launch of Facebook (2012) amounted to $2.27bn (NDTV, 2013). In the UK Mick Davis of Xstrata took home £18.4m (2012), and the year before Bart Becht of Reckitt Benckiser cleared £92m. Within the same society, thirty percent of UK children live in poverty (End Child Poverty, 2013) and one of the outcomes of this situation is that Britain is the second highest OECD country for the incarnation of young people (Kakabadse and Kakabadse, 2012).

Between 1999 and 2010 the median remuneration of FTSE100 CEOs rose annually by more than thirteen percent from £1m to £4.7m (Osborne, 2012). The gap in pay between CEOs and their workers rose from x47 to x120 for the same period. Even companies that were heavily in the red continued to pay extravagant boardroom bonuses and salaries. Under the Dodd-Frank Act Section 953(b) public companies in the US will have to disclose the ratio of compensation of CEOs to the median compensation of employees. Meanwhile the Swiss electorate have voted a two-thirds majority to ban bonuses and golden handshakes.

There are over sixty thousand publically trading companies worldwide (Elkington, 2012) that have an endless life expectancy as legal entities, or will inevitably face the risk of failure. But the average lifetime of a publically limited company is less than eighteen years and the average CEO retains their position for less than six years (Economist, 2012). This creates uncertainty in firms' operational and strategic development alongside regulatory policy shifts for the term of elected government representatives.

Where there remains inconsistency in the understanding and reporting of CSR, national firms will remain under the radar of global corporations that may be required to report CSR in other countries or at a regional or global level. This is creating a global network of dominant corporations that, when they fail, create a chain reaction that impacts globally.

8. CSR for socialized capitalism

Social Responsibility exists wherever humanity is. It is represented in the personal values that compel us in the simplest forms "to give without the expectation of receiving". It transcends all boundaries of language, money, gender, class or race, and is instantly recognizable as an act of kindness, a demonstration of caring, or a sense of duty towards those we interact with and the world we live in. It will be the legacy we leave behind.

Much of our understanding of social phenomena is derived from the subjective interpretations of those we consider to be respected authorities and experts in their fields. They themselves forecast based on personal experiences and judgements, which only become reality through actions taken collectively. In our designed inter-connected competitive networks, the focus is too often based on narrow political manoeuvring or seeking short-term results that are often determined on the basis of instant-data-driven feedback. It is unscrupulous when the snowball of influential forces attribute blame to international events, regulatory mechanisms, industry structures and corporate deficiencies as justification. Post-event regulatory reforms in neo-capitalistic markets seem to be reactionary and temporary fixes to deeper structural issues which remain unaddressed.

It is easy to forget that these are all manmade structures, economies, interactions and events. Historically repetitive economic collapses are essentially CSR failures because systems are designed by humans and it is the unique behavior of individuals that lead to each crisis.

The more conscientious approach is that leaders benefit from "responsible training" in making personal judgements based on a broader and deeper understanding of "the right thing to do" in a world that prefers narrower, simple and factual decision-

[1] In 2014 Mark Zukerberg is worth $33bn whilst Bill Gates remains the richest man worth $84bn

making. It is true that we should all take personal ownership of CSR at all levels, but business leaders and politicians need "higher order skills" and should engage with employees and society in a way that affords greater respect of their independent views. With greater responsibility comes more transparent accountability, along with a greater moral respect in society.

In the decade following the US Wall Street crash of 1929, Schumpeterian capitalism emerged in which competition was a process of renewal through innovation for economic growth. The function of government was to facilitate redistribution of economic wellbeing from the few winners to the many losers. Since the Bretton Woods Agreement (1944) this capitalism and its neo-liberal capital structures (IMF, World Bank) have enabled advanced economy corporations to flourish and extend their reach globally. Meanwhile, advanced political institutions have struggled to support their corporate pace of development and societal needs. The repetitive misalignment between government and corporation has resulted in cyclical economic crises which more widely adversely affect social and environmental wellbeing.

The systemic imbalance could be corrected by incorporating a more formal platform for open citizen stakeholder forums to engage more directly with policy and business leaders. Current government and corporate relationships are too static for the pace of change and do not address wider stakeholder issues. The framework requires active engagement and citizen participation to widen and improve dialogue appropriate to more dynamic, interdependent decision-making.

Socialized competition emerges as a process of renewal through innovation for socially responsible growth. The preferred model of industry competition may allow a more level playing field through an increased number of players where competition is for "valued good", rather than competitive domination. This leads to size and scale giving way to innovation and ideas as contributions to beneficial change.

The current global trend is a shift of economic power to the Asian hemisphere representing a return to pre-1800 Chinese and Indian global dominance. However, this time the world's population is seven billion and rising, with the young and old featuring as the fastest growing groups.

The restrictions of our planetary boundaries and risks of emerging megatrends demand a shift from short-term economics to long-term environmental and social levers. Business methodology is due a redesign in its competitive nature towards a more socialised and ecological capitalism across all societies. In this regard, social capital could be the bind that pro-actively responds to stable, unstable or even chaotic economic positions in a socially responsible and collaborative manner. Individual nations remain free to pursue their unique social strategies as competitive positions in a global marketplace.

Institutional governance of social capital affords an equal status of CSR in senior government – it should be a ministerial post that establishes a national framework for directing and co-ordinating industry and international regulatory efforts to the most vulnerable people and their problems in society.

The AACG multiple crises are the consequence of trade ministers, treasury and the Bank of England pursuing economic performance without the support of social capital in renewal. Rather than reactive regulatory decisions, CSR and trade ministers must collaboratively strategize pro-active government position for the business community.

Firms themselves may adopt minimal mandatory or more advanced voluntary CSR developments. Ministers should have ownership and accountability for termed policy delivery and equitable distribution of wealth[1], and corporations should be issued with a limited licence to operate which is renewable and subject to independent monitoring. The adoption of socialized capital shifts the legal and case law formation of a corporation to a position of fulfilling social value contracts. The limited license better enables the management of renewal process, such as employment transition for new technologies, talent mobility, industry transformation as competitive advantage to a more meaningful public or private partnership for innovative and less volatile growth or renewal.

The board itself may have three committees and the CEO reporting to it. These are CSR, financial and independent monitoring, where no one should be on more than one committee in the corporation. The CSR committee sets social agenda for the company independently, in line with government policy or as a collaborative effort. The board must include on its higher agenda social and economic progress[2] towards achieving societal purpose, and the firm integrates moral principles into financial targets. This means the board is required to integrate committee input into board members external agendas.

[1] Wealth is social; environmental (C.S.R.) and economic (Trade).
[2] Company secretary has responsibility for communicating the agenda between committees and boards.

Business leaders themselves need to adopt a selfless mind-set. They must understand that their responsibility is to facilitate as well as lead by example. Too often leaders are orientated towards directing and delegating, rather than helping achieve the strategic deliverables of business in society. Importantly, good leadership requires the ability to connect with a wider spectrum of people across society. To bring their employees and stakeholders with them on the journey good leaders need to connect with employees on a personal, rather than a hierarchical level, by building successful teams. To help achieve this, committees and boards themselves could open up their processes by having citizen and employee representation in the boardroom itself.

Globally the trend is for mandatory regulation of CSR, which is gradually forcing national governments to adopt some kind of framework. Some countries remain resistant to change, but should appreciate the pace of urgent action needed warrants institutional support to the corporate effort being undertaken. An alternative possibility may be for government to use stock market regulatory mechanisms to facilitate social capital competitiveness. In business terms, the stock market may offer a more internationalized opportunity for social capital to become a comprehensive alternative to the narrower EU ETS in global stock exchanges.

Conclusion

A sceptical perspective of retaining the status quo of economic competition is no longer an option in view of the sustainability crisis that is fast unfolding. In the 1930s Schumpeterian capitalism was conceptualized and set the world on a trajectory of economic competition.

Today CSR, based on socialized competition, is needed to drive innovation. The business community is as before, a frontline of tackling emerging global megatrend challenges and changing the path of human survival on planet Earth. These are exciting times for businesses and societal leaderships in seeking out new frontiers of innovation. There are opportunities for valuable contributions in building the societies of tomorrow, and meeting the challenges of ensuring sustainable prosperity for the next generation.

In the near future, China and India must step up to the global stage and lead the world economically and politically. Being of less scale, Western economies may retain higher quality CSR infrastructure and technological innovations due to a deeper, systemic understanding and more stable environments. Their pace of change will nonetheless likely be more dynamic. Regardless, co-operation is needed in a form of new public management systems that foster sustainable socialized competitiveness to complement existing economic competitiveness. Where scientific and technological breakthroughs have been a source of competitive advantage, socialized capital will foster wider, cross-industry networks to find solutions to the challenges ahead.

Current research indicates that only fifteen percent of employees in a company are proactively engaged in driving a firm's activities. Leaders need to find ways of improving internal wellbeing and commitment levels of the eighty five percent that are reactive to change.

Modern society grooms leaders to be aggressive and dominant. Is this the right profile for socialized capitalism? Perhaps a different breed of leaders with more diverse backgrounds could complement leadership qualities towards values of "common good?" What does sustainability mean for the strategy of a company, and how do you introduce a diverse set of views into the boardroom to benefit decision making? What will be the new building blocks of allocating capital in a more holistic way? How can the haves and have not's be equitably rebalanced? This critique has endeavoured to use the CSR perspective to offer a contribution to corporate, governance, ethics dialogue in play today and encourage new thinking for the future.

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